

Message Text

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ACTION EUR-25

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C O N F I D E N T I A L USNATO 3866

E.O. 11652: GDS

TAGS: ECON, EFIN, UR, NATO

SUBJECT: ECONADS: JULY 11 MEETING WITH EXPERTS ON ESTIMATE OF
SOVIET BALANCE OF PAYMENTS IN CONVERTIBLE CURRENCIES

REF: USNATO 3603 (NOTAL)

1. ECONADS HAD HIGHLY USEFUL MEETING JULY 11 TO
DISCUSS ECONOMIC DIRECTORATE WORKING PAPER
(AC/127-WP/378) ON APPROACH TO ESTIMATING SOVIET
BALANCE OF PAYMENTS IN CONVERTIBLE CURRENCIES, SUCCESS
OF MEETING WAS ATTRIBUTABLE TO LARGE NUMBER OF EXPERTS
PRESENT FROM NATO CAPITALS: CANADA (ONE FROM BUREAU OF
SPECIAL RESEARCH); FRANCE (THREE FROM MOD AND BANK OF
FRANCE); FRG (FOUR FROM MINISTRIES OF ECONOMY AND FINANCE,
NETHERLANDS (ONE FROM FONOFF); UK (THREE FROM MOD, BANK
OF ENGLAND, AND FONOFF); US (R KOVACH). MOST SIGNIFICANT
CONTRIBUTIONS MADE BY US (KOVACH) AND UK (GOUGH OF
BANK OF ENGLAND) WITH HELPFUL INTERVENTIONS BY FRANCE
AND FRG.

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2. ALL EXPERTS AGREED ECONOMIC DIRECTORATE WORKING
PAPER, WHICH IS FIRST NATO STUDY ON THIS SUBJECT IN TEN
YEARS, WAS EXCELLENT BASIC DOCUMENT. ALL AGREED FIGURES
PRESENTED IN PAPER WERE ROUGHLY CORRECT WITH MINOR ADJUSTMENTS

SUGGESTED IN INVISIBLE AND CAPITAL ACCOUNTS. DESPITE STRENGTHENING OF SOVIET BALANCE OF PAYMENTS, THERE WAS GENERAL AGREEMENT RUBLE WOULD REMAIN PURELY AN INTERNAL CURRENCY NOT USED IN INTERNATIONAL TRADE. LOOKING TO

FUTURE, THERE WAS AGREED ASSESSMENT USSR WOULD REGISTER BALANCE OF PAYMENTS SURPLUS IN 1974 FOR FIRST TIME SINCE 1967 DUE LARGELY TO INCREASED PRICES FOR RAW MATERIALS AND PETROLEUM COUPLED WITH CASH ARMS SALES AND LARGE GOLD SALES (APPROXIMATELY 110 TONS). IN VIEW OF NEW POSITION OF AT LEAST TEMPORARY WEALTH, SOVIETS PROBABLY RETHINKING FOREIGN TRADE POLICY AND ALSO BECOMING LESS RELUCTANT TO HOLD FOREIGN CURRENCIES AS RESERVE ASSET. IN EFFORT TO MAXIMIZE IMPORTS OVER BOTH SHORT AND LONG RUN, SOVIETS WILL PROBABLY IMPORT MORE FOR CASH AND BORROW LESS ON SHORT TERM NOW TO BE IN STRONGER POSITION TO BORROW LATER, ALTHOUGH WILL CONTINUE TO SEEK LONG TERM CAPITAL FOR LARGE DEVELOPMENT PROJECTS .

3. TO HELP FLESH OUT FINAL REPORT, CHAIRMAN NOTED AREAS REQUIRING ADDITIONAL INFORMATION, PARTICULARLY SOVIET RECEIPTS FROM MILITARY SALES, SHORT TERM CREDITS, AND HOLDINGS IN EURODOLLARS AND OTHER HARD CURRENCIES. FRANCE AGREED SUPPLY INFORMATION ON MILITARY SALES, WHILE BELGIUM, FRANCE, FRG, AND UK ALL SAID THEY COULD PROVIDE FAIRLY DETAILED INFORMATION ON SOVIET BANK HOLDINGS IN DOLLARS AND OTHER CONVERTIBLE CURRENCIES. US AGREED TO PROVIDE

ADDITIONAL DATA ON SHORT TERM CREDITS (PARTICULARLY FROM JAPAN) AND TO CHECK FIGURES ON SOVIET GOLD SALES.

4. ACTION REQUESTED. INFORMATION NOTED ABOVE WHICH US AGREED TO SUPPLY. RUMSFELD

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